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Federal Communications Commission
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

January 27, 1999

VIA FACSIMILE AND U.S. MAIL

Jeffrey E. Ganek
Senior Vice President and Managing Director
Lockheed Martin IMS
Communications Industry Services
1200 K Street, N.W.
Washington, D.C. 20005

Re: North American Numbering Plan Administration

Dear Mr. Ganek:

As you know, on January 7, 1999, the Common Carrier Bureau (Bureau) released a public notice¹ relating to the December 21, 1998 filing by Lockheed Martin IMS Corporation (Lockheed Martin) of a Request for Expeditious Review of the Transfer of the Lockheed Martin Communications Industry Services (CIS) Business to a new independent company, Warburg, Pincus & Co.² The CIS business unit of Lockheed Martin IMS currently serves as the North American Numbering Plan Administrator (NANPA).

Because of the nature of the functions performed by the NANPA, in the January 7 Public Notice, the Bureau determined that interested parties should be permitted to raise reasonable and relevant questions concerning the Lockheed Martin Request and outlined the procedures it intended to follow for that purpose. Specifically, the Bureau required all issues and/or questions to be filed with the Bureau on or before January 22, 1999. After evaluating the public input to ensure relevance and to avoid duplication, the Bureau indicated that it would forward a consolidated list of issues and questions to Lockheed Martin for response, within 15 days following receipt. Finally, the Bureau indicated that it would place Lockheed Martin's responses on public notice as soon upon receipt as possible and seek comment from

¹ FCC Seeks Comment on Request for Expeditious Review of the Transfer of the Lockheed Martin Communications Industry Services Business. Public Notice, CC Docket No. 92-237, NSD File No. 98-151 (rel. Jan. 7, 1999) (January 7 Public Notice).

² In the Matter of Request of Lockheed Martin Corporation and Warburg, Pincus & Co. for Review of the Transfer of the Lockheed Martin Communications Industry Services Business from Lockheed Martin Corporation to an Affiliate of Warburg, Pincus & Co., NSD File No. 98-151 (Dec. 21, 1998) (Lockheed Martin Request).

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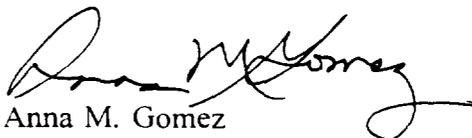
the public by March 17, 1999, on whether it should recommend to the Commission that the Lockheed Martin Request be granted, with or without any conditions.

The January 7 Public Notice also recognizes that the Commission adopted the NANC's recommendation that Mitretek serve as the alternate NANPA, to assume NANPA responsibilities should Lockheed Martin not perform in a satisfactory fashion, and that Mitretek has urged the Commission to name it as the NANPA successor to Lockheed Martin. Accordingly, the Bureau also sought public input on issues and questions that Mitretek should be permitted to answer following procedures identical to those outlined above.

We now have reviewed the public input received in response to the January 7 Public Notice. Attached hereto is a list of questions and issues directed to Lockheed Martin that we consider relevant to the Lockheed Martin Request and on which it seeks response. Responses should be submitted to the Bureau within 15 days of receipt, that is, on or before **February 12, 1999**. We note that Mitretek also has received a list of questions for response by February 12, 1999. To expedite consideration of the Lockheed Martin Request and resolution of the underlying issues, we encourage Lockheed Martin to fully and thoroughly answer each of the questions posed on the attached list.

The Bureau appreciates your cooperation in this matter. Should you have any questions, please direct them either to Kris Monteith, (202) 418-1098, or Jeannie Grimes, (202) 418-2313.

Sincerely,



Anna M. Gomez
Chief, Network Services Division
Common Carrier Bureau

cc: Alan C. Hasselwander

**Common Carrier Bureau
Federal Communications Commission
January 27, 1999**

**Questions For Lockheed Martin IMS or Warburg, Pincus
Concerning Request for Expeditious Review of the Transfer
of the Lockheed Martin Communications Industry Services Business**

Financial

1. Describe in detail the terms and conditions of the Transaction Agreement between Lockheed Martin IMS and Warburg Pincus relevant to the North American Numbering Plan Administration. Alternatively, provide a copy of the Transaction Agreement and other related documents.
2. The 1997 Lockheed Martin IMS proposal included the latest Annual Report for Lockheed Martin. Please provide the business plan for CIS Acquisition Corporation or other similar description or documentation providing detailed financial information similar in nature to that provided in the Annual Report for Lockheed Martin. Please provide the latest Annual Report for Warburg, Pincus Equity Partners, L.P.
3. Provide a detailed explanation or documentation of Warburg, Pincus & Co.'s financial and corporate structure, as well as its financial holdings and investments.
4. Demonstrate how the CIS Acquisition Corporation is adequately capitalized.
5. Please explain in detail the Lockheed Martin statement that "Warburg intends that CIS [will] have access to the resources it needs to fulfill its existing commitment and to grow and develop."
6. Specify what growth and development is required for the NANPA to meet its commitments under the current NANPA rules (*i.e.*, what commitments under the current rules cannot be met without additional growth and development).
7. Define in detail Warburg, Pincus' financial expectations for the CIS Acquisition Corporation.
8. What is the expected return on the Warburg, Pincus Equity Partners, L.P. investment in the CIS Acquisition Corporation on an annual basis?
9. What business growth is required of the CIS Acquisition Corporation to meet the goals or expectations identified in response to Question No. 8?

10. What is the minimum level of performance relative to these goals that Warburg, Pincus Equity Partners, L.P. is willing to tolerate before backing out of its investment in the CIS Acquisition Corporation?

11. Are all of the assets required to perform the current NANPA functions assets owned by CIS?

12. Would Warbug Pincus give consideration to purchase of the CIS business unit from Lockheed Martin if CIS retained the responsibility for administration of either the NANPA or the NPAC functions but not both? If the answer is "no," why not? Please explain the position that the two operations should be centralized in a single entity and any alleged benefits to the NANPA obtained from the centralization of those operations in a single entity.

Neutrality

13. To the extent not already disclosed in the Lockheed Martin Request of December 21, 1998, enumerate all of the telecommunications-related holdings of Warburg, Pincus Equity Partners, L.P., Warburg, Pincus & Co., and all other partners in Warburg, Pincus Equity Partners, L.P. as well as the percent of ownership in identified holdings.

14. The neutrality criteria adopted by the FCC do not depend on whether the controlled telecommunications carrier actively uses NANP resources. Those criteria also apply to direct and indirect control and active and passive interests. If the transfer of CIS to Warburg, Pincus is approved, and Warburg, Pincus is required to comply strictly with the terms and provisions of the neutrality criteria, what actions (beyond those stated in Lockheed Martin's Request of December 21) would Warburg, Pincus take to bring its current interests in telecommunications carriers into compliance with the neutrality criteria? What steps beyond those stated in the December 21 filing would the CIS Acquisition Corporation take to ensure its continued compliance with the neutrality criteria?

15. The FCC's neutrality criteria further require that the NANPA must not be "subject to any undue influence by parties with a vested interest in the outcome of numbering administration activities." See 47 C.F.R. § 52.12(a)(3); NANPA Requirements Document, § 1.2(c). Given the historic ties and relationship between the CIS business unit and Lockheed Martin, why would the proposed 5% interest by Lockheed Martin in the CIS Acquisition Corporation not violate this standard?

16. On page 18 of the Lockheed Martin December 21 filing, principles of a Code of Conduct between the CIS Acquisition Corporation and Warburg, Pincus are listed. Do the listed principles constitute the entire code of conduct? If not, please list all of the principles that comprise the Code of Conduct under which the CIS Acquisition Corporation and Warburg have agreed to operate.

17. If the FCC concludes that Warburg, Pincus & Co. is appropriately neutral, what assurances will Warburg, Pincus provide to guarantee that neutrality will be maintained during the period of the award?

18. Please confirm that the CIS Acquisition Corporation will be owned by Warburg, Pincus on a 95% basis, and Lockheed Martin, on a 5% basis. If the identified percentages are not accurate, please provide the correct percentages. Please confirm that there are no other owners of the CIS Acquisition Corporation, including employees of the new CIS Acquisition Corporation, either now or in the future.

19. Has the CIS Acquisition Corporation and/or Warburg, Pincus considered employee conflict of interest issues between employee ownership of CIS and possible holdings in other telecommunications companies, in light of the FCC's neutrality criteria? Will restrictions be imposed on CIS Acquisition Corporation employees' investments in the telecommunications industry?

20. How will the CIS Acquisition Corporation/Warburg, Pincus commitment not to exceed the 10% investment in any telecommunications service provider be monitored and maintained?

21. The CIS Acquisition Corporation has proposed to conduct at its expense "audits of its adherence to and performance relative to the neutrality requirements of the industry." Who will conduct this neutrality audit? Will the neutrality auditor have complete access to the financial data of the CIS Acquisition Corporation, Warburg, Pincus Equity Partners, L.P., and Warburg, Pincus & Co., as well as any other partners of Warburg, Pincus Equity Partners, L.P.?

22. Warburg, Pincus described Covad as a CLEC that does not operate as a common carrier service provider and does not use numbering resources. Does Covad compete against common carrier service providers who use numbering resources? Please explain your answer. Do the services that Covad provides require services from other carriers that require numbering resources (e.g., resale)? Please provide an analysis demonstrating that Warburg, Pincus' investment in Covad is in compliance with section 51.12 of the FCC's rules, 47 C.F.R. § 51.12.

23. If Covad decides to request NANP resources during the term of the contract, does Warburg, Pincus consider that such action would create a conflict of interest? If the answer is "yes," what action would Warburg Pincus take to resolve that conflict? If the answer is "no," why not?

24. Please provide sufficient detail to fully understand Warburg, Pincus' view as to what level of investment in a company utilizing NANP resources would result in non-compliance with the FCC's neutrality criteria.

25. Please explain in detail the statement, "Warburg's investments in telecommunications do not create a vested interest in numbering administration." Specifically, Warburg, Pincus has disclosed its ownership interests in several carriers and that, overall, Warburg, Pincus' five private equity funds in total hold a 5 percent investment in telecommunications. In what sectors of the industry is that overall 5 percent investment? Local exchange, long-distance or other? Also disclose the names of the carriers and the amount of the fund's investment in each carrier.

26. The "Master Agreements" between Lockheed Martin and the regional Local Number Portability Limited Liability Corporations ("LLCs") require that Lockheed Martin be a "Neutral Third Party," permitting termination of the agreements if Lockheed Martin ceases to be a Neutral Third Party. A Neutral Third Party is defined in some instances to prohibit Lockheed Martin from being a telecommunications carrier, or owning more than a 5% ownership interest in any telecommunications carrier. If Warburg, Pincus is required to comply strictly with the terms and provisions of the Master Agreements, what actions beyond those stated in Lockheed Martin's December 21, 1998 filing would Warburg, Pincus take to bring its current interests in telecommunications carriers into compliance with these agreements? What steps would the CIS Acquisition Corporation take to ensure its continued compliance with its obligation to remain a "Neutral Third Party"?

27. Enumerate the "certain additional conditions that Warburg has agreed to in order to ensure the continued success of CIS regardless of the telecommunications interested of its parent company." Enumerate any specific constraints on new areas of business and investments, as well as constraints on new clients and partners, that the CIS Acquisition Corporation, Warburg, Pincus Equity Partners, L.P., and Warburg, Pincus & Co. have agreed to in order to ensure the neutrality of the NANPA. Please state why these new additional conditions are required in order to meet the current neutrality rules.

28. Describe in detail the ownership interests of the Warburg Pincus Global Telecommunications Fund. What are the fund's holdings?

29. Warburg, Pincus states that it owns approximately 12% of Espirit Telecom Group plc but that Espirit is being acquired by Global Telesystems Group, Inc.. Who holds the ownership interests of Global Telesystems Group, Inc.? Does Warburg, Pincus have any relationship to Global Telesystems Group, Inc.? Does Lockheed Martin hold any interest in Global Telesystems Group, Inc.? When is the transaction scheduled to close?

30. Explain how Primus operations in Canada do not raise neutrality issues and expand on media reports identifying Primus as a long distance carrier seeking to enter the Caribbean market.

31. Explain Warburg, Pincus' and Primus' relationship to Trescom International. Does Trescom International provide long distance calls that originate in the United States?

32. What is the past and present relationship between Warburg, Pincus & Co. and Lockheed Martin, including details of past transactions, financing, and whether the private funds of the senior officers and directors of Lockheed Martin are invested through Warburg, Pincus & Co.? Are there overlapping or interlocking board members, managers, or working committees?

33. Given that Dr. Henry Kressel and Mr. Joe Landy, both of EM Warburg, Pincus & Co., LLC, serve on the Board of Directors of Covad, disclose all other boards on which Warburg, Pincus and CIS Acquisition Corporation executives and employees serve.

34. What interest does Warburg, Pincus hold in COMSAT? What interest will it have subsequent to the Lockheed Martin acquisition of COMSAT?

35. How will Warburg, Pincus' primary goal to generate returns on investments from a numbering administration unit impact its neutrality?

Operational

36. Please describe the organization of the CIS Acquisition Corporation and identify all personnel, together with their title or position, employed by CIS Acquisition Corporation. Alternatively, please provide an organizational chart showing all personnel in the CIS Acquisition Corporation.

37. Identify all individuals within the CIS Acquisition Corporation that will have responsibilities for further developing the CIS Acquisition Corporation business base. Describe in detail each individual's responsibility for business development. What portion of the enumerated individuals' compensation results from expansion of the CIS Acquisition Corporation?

38. Identify any contracts for the lease of assets, or for the performance of direct or support services, relating to NANPA responsibilities.

39. Enumerate support services provided by Lockheed Martin, outside of Lockheed Martin CIS.

40. How will the board of the new CIS Acquisition Corporation be constituted? How many seats will Warburg, Pincus hold out of the total? How many seats will be held by CIS Acquisition Corporation officers? Will there be outside directors and, if so, how many?

41. Who currently provides the information systems and business infrastructure (e.g., email, PBX, web site maintenance, payroll) for the Lockheed Martin CIS business unit? Confirm that these support services and associated assets be transferred to the CIS Acquisition Corporation.

Performance

42. Please describe in detail how the CIS Acquisition Corporation, and its owners Warburg, Pincus Equity Partners, L.P., plan to meet the requirements enumerated in the NANC's Requirements Document.

43. Given that the Transaction Agreement is structured so that the CIS Acquisition Corporation "stands in the shoes of its predecessor" and given that the redacted copy of the 1997 Lockheed Martin NANPA proposal clearly emphasized the Lockheed Martin Corporation's technology strength, experience, systems support, and personnel resource pool, please describe the similar technology strength, experience, systems support, and personnel resource pool residing in Warburg, Pincus Equity Partners, L.P.

44. Warburg, Pincus has stated a "strong intent" in maintaining its interests in the CIS Acquisition Corporation through the life of the remaining NANPA term rather than a simple and unequivocal "Yes" to the question of whether it is committed to ownership of the CIS Acquisition Corporation for the remaining term. Because Warburg, Pincus is apparently unable to make a unconditional commitment to no further change in ownership, what commitments does Warburg, Pincus offer to ensure that the administrative functions it seeks to own will be sufficiently staffed, funded, and capitalized through the term of the contract should Warburg Pincus decide to further transfer ownership in the CIS Acquisition Corporation to yet another entity? In addition, does Warburg, Pincus agree that, as a condition of the transfer of the CIS business unit to it, any future sale of NANPA responsibilities to another entity would require prior FCC approval?

45. What guarantees do the CIS Acquisition Corporation and Warburg, Pincus offer to ensure that key, competent personnel will be retained in sufficient numbers to perform NANPA responsibilities?

46. What guarantees are the CIS Acquisition Corporation and Warburg, Pincus willing to make to assure that adequate technical and financial support will be provided by Warburg, Pincus & Co. so that NANPA requirements, LNPA requirements, and additional potential duties in the future (e.g., number pooling or location portability) can be effectively accomplished?

47. In its December 21, 1998 filing, Lockheed Martin and Warburg, Pincus state that they are "committed to supporting" CIS' fulfillment of its existing contracts, including pricing. Would Warburg Pincus also endorse the following statement: "Upon Commission approval of the transfer of CIS assets, Warburg Pincus will fulfill the contractual obligations under the existing CIS contracts for NANPA and LNPA, through the periods defined in those contracts, and including all contractual terms, including pricing and performance. Warburg, Pincus assumes complete responsibility for CIS' ability to perform the contracts, and warrants that it will take all necessary steps to ensure that CIS can perform its contractual obligations.

Any recourse for failure to adhere to the terms of the contract that were lawfully applicable to Lockheed Martin are now applicable to Warburg Pincus." If not, why not?

Transition

48. Describe in detail the anticipated transfer from Lockheed Martin to Warburg, Pincus & Co. of the CIS business. Who will absorb the costs of the transition from Lockheed Martin to the CIS Acquisition Corporation/Warburg, Pincus?

49. How will the transition from CIS to Warburg be accomplished? When will the transition be complete?

50. Will there be any administrative, operational, or systems changes, whether direct or indirect, resulting from the transfer of the CIS business unit from Lockheed Martin to Warburg, Pincus? Please explain.

51. What guarantees will Lockheed Martin provide to assure that the NANPA and the LNPA will operate smoothly and effectively, and without disruption to NANPA or LNPA activities, during the period leading up to a transition and during the transition, regardless of what successor organization is chosen?

52. Will Warburg, Pincus provide indemnification to carriers using the NPAC and the NANPA for damages that may occur as a result of the transfer of the CIS business unit from Lockheed Martin to Warburg, Pincus?

53. If Warburg, Pincus' acquisition of CIS is approved, and Warburg, Pincus for any reason sells its investment in the CIS Acquisition Corporation, or transfers or assigns the NANPA obligations in whole or in part, or otherwise does fails to fulfill the remainder of the term set forth in 47 C.F.R. § 52.12(b), will Warburg, Pincus commit to reimburse the industry for the costs associated with the transition of NANPA responsibilities?